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COMPANY PROFILES: Haagen-Dazs (The Pillsbury Company/Diageo): Haagen-Dazs--Ice Cream Products--New Low-Fat Superpremiums--Ice Cream Sandwich; R&D, Competitive Strategies

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Ice Cream Products

Haagen-Dazs offers a full selection of frozen desserts including ice cream, fat-free frozen yogurt, fat-free sorbet, and novelty items.

New Low-Fat Superpremiums

Among the **brand** 's most important new product introductions in 1997 was a line of superpremium low-fat ice cream. A company spokesperson said the product was offered in response to research with focus groups who "begged" for a low-fat Haagen-Dazs. Even though the market for low-fat ice creams has been in decline, the spokesperson believed a high-quality product would succeed. And in fact, the reduced-fat superpremium market did phenomenally well in 1997, with volume up by almost 800% for the year over 1996. (It must be remembered, however, that these products were growing from a very small base.) In fact, the surge of the low-fat superpremium market was **attributed** to the Haagen-Dazs line.

The product, which was in development for two years, is made without artificial flavors or artificial stabilizers. Mark Jansen, marketing manager, said that the company was intent on maintaining its high standards in the low fat products. It developed a patented process for producing a lactose-reduced skim milk that he described as the key to replicating the mouthfeel and low meltability of the traditional full-fat Haagen-Dazs without having to introduce any bulking agents, as many other low-fat ice creams do. The ice cream also has a relatively low overrun, about 40%, compared with other low-fats that have 80% to 100% overrun; the traditional line has a typical overrun level of 20%. It has 170 calories per 4-ounce serving-one-third fewer than the traditional product-and three or less grams of fat per

DialogWeb Output Page 2 of 3

serving-or 80% less than the original. It is available in four flavors: vanilla, chocolate, strawberry, and coffee fudge. Pint containers carry a suggested retail of \$3.09 (the same pricing as the regular superpremium line).

The product was "the single most supported product ever introduced by Haagen-Dazs," according to a spokesperson. The company planned to spend over \$10 million in 1997 to support a national advertising campaign that would include network, cable, and spot TV; FSIs; a direct mail campaign; and the largest in-store sampling program ever used by Haagen-Dazs. There was also major target advertising.

The launch was also helped by having the product in 230 Haagen-Dazs scoop shops nationally. According to a spokesperson, there is a strong mutually beneficial relationship between grocery stores and scoop shops. Company research has shown the typical scoop shop customer was three times as likely to buy the product in supermarkets, and vice versa.

#### Ice Cream Sandwich

In 1996, Haagen-Dazs introduced the Ice Cream Sandwich, made with Pepperidge Farm cookies (Campbell Soup Company). Haagen-Dazs says the idea for a superpremium sandwich came about during breaktime chats at work, when staff realized there were no superpremium sandwiches for adults. But Haagen-Dazs was known for ice cream, not for cookies, and the team felt they had to copartner with a name that would help the ice cream sandwich. Based on Pillsbury's market research and consumer testing, the cookie brand that would produce the most synergies was Pepperidge Farm. According to tests of early versions of the product, 90% of consumers said they would "definitely" or "most likely" buy the products. First-year sales of the refined products that hit the market were \$11 million. The product went into national distribution (completed by August 1997) and annual sales were expected to reach \$20 million.

The company buys the Pepperidge Farm cookies and a copacker puts the product together. Haagen-Dazs had never before worked with a copacker but a spokesperson said the arrangement worked out well. Retailers adopted the product at a high rate and placed reorders quickly. Pillsbury's research found that 45% of sales came from **brand** switching, another 33% from category expansion. The company said there was little cannibalization.

### R&D

Pillsbury reportedly does as much consumer research as possible at the very beginning of new **product development**. Furthermore, the company is clearly aware of the problem of squeezed shelf space. Because so many new products were introduced in 1995, retailers told food manufacturers that if a product was not value added, they didn't want it, said a spokesperson. As a result, there will not be a lot of flavor, size, or type proliferation at Pillsbury because it doesn't add incremental business, but only "complexity through the supply chain and retailers are not interested in that."

### Competitive Strategies

Pillsbury unsuccessfully fought off the takeover by Grand Metropolitan back in 1989. Although some takeover fears regarding layoffs were

DialogWeb Output

Page 3 of 3



realized, today many agree that the company's ownership has not been bad for Pillsbury. With improved operations and a strong financial performance, Pillsbury has become a valuable part of GrandMet

At the time of the merger between GrandMet and Guinness, a Pillsbury company spokesman said Pillsbury's **position** is "wholly consistent" with that of GrandMet and Guinness in support of the merger.

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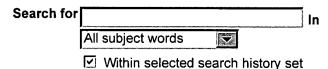
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